



POSTAL REGULATORY COMMISSION

[Docket No. MT2013-2; Order No. 1771]

Market Test of International Merchandise Return Service

AGENCY: Postal Regulatory Commission.

ACTION: Notice

SUMMARY: The Commission is noticing a recently-filed Postal Service proposal to conduct a market test of a competitive experimental product called International Merchandise Return Service-Non-Published Rates (IMRS-NPR).

This notice informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* July 15, 2013.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the FOR FURTHER INFORMATION CONTACT section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: Stephen L. Sharfman, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On July 1, 2013, the Postal Service filed a notice, pursuant to 39 U.S.C. 3641, announcing its intent to conduct a market test of a competitive experimental product called International Merchandise Return Service – Non-Published Rates (IMRS-NPR).¹ IMRS-NPR is comprised of Air Parcels or Express Mail Service packages returning to the United States that originate from a foreign territory served by another postal operator with which the Postal Service has made an arrangement for a return service. *Id.* at 2. The market test is scheduled to begin on or shortly after August 15, 2013 and continue for two calendar years. *Id.* at 6.

II. Background

¹ Notice of the United States Postal Service of Market Test of Experimental Product – International Merchandise Return Service - Non-Published Rates (IMRS-NPR) and Notice of Filing IMRS-NPR Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, July 1, 2013 (Notice).

IMRS-NPR items consist of returned merchandise that consumers purchased through online retailers in the United States. *Id.* at 2. IMRS-NPR will enable foreign consumers to create return labels and postage payment to return products back to the United States. *Id.* The consumer can create his or her own shipping label and send it to the merchant through the consumer's postal channel.

The Postal Service explains that many shipping companies create methods to improve ease of use by creating labels for the merchants and either sending the labels by e-mail to their customers or providing labels for use if an item is returned. *Id.* It states that returns are an inevitable part of international online commerce, and customers consider returns as an important part of international shipping. *Id.* It concludes that the IMRS-NPR market test will increase the overall value of the services the Postal Service can offer to consumers. *Id.*

Statutory authority. The Postal Service indicates that its proposal satisfies the criteria of 39 U.S.C. 3641, which imposes certain conditions on experimental products. The Postal Service asserts that IMRS-NPR is significantly different from all products offered within the past 2 years. *Id.* at 3-4; see 39 U.S.C. 3641(b)(1). It explains that there are only two existing international return solutions offered by the Postal Service, and neither has the same scope as IMRS-NPR. *Id.* at 4.

The Postal Service states that it does not expect IMRS-NPR, which is designed to provide U.S. merchants an international merchandise returns solution through the postal network, to create an “unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer” particularly with regard to small businesses. It indicates that it is unaware of any small business offering a similar return service, and that it expects small businesses to utilize the service. *Id.* at 5; see 39 U.S.C. 3641(b)(2). The Postal Service classifies IMRS-NPR as a competitive product because IMRS-NPR is designed for packages that do not fall under the Private Express Statutes. *Id.*; see 39 U.S.C. 3641(b)(3). It notes that FedEx, UPS, and DHL each have products for their returns. *Id.* at 6.

Duration. The Postal Service states that the market test will begin on or shortly after August 15, 2013 and run for two calendar years. *Id.* The Postal Service intends to offer negotiated service agreements to customers during the two year market test period, and the contracts will have standard one-year terms. *Id.* To the extent that negotiated service agreements have terms that extend beyond the two-year period of the market test, the Postal Service requests that the Notice serve as an application for extension under 39 U.S.C. 3641(d). *Id.* It asserts that the extension would only be requested to satisfy existing contractual obligations, and no new agreements would be initiated with merchants after the two-year period of the market test. *Id.* at 6-7.

Revenues. The Postal Service does not anticipate revenues from IMRS-NPR to exceed \$10 million in any year, subject to inflation. *Id.* at 7; see 39 U.S.C. 3641(e). If circumstances change, the Postal Service states that it will seek further relief upon submission of an application for exemption from the \$10 million limitation. *Id.* at 7.

Market test scope. The Postal Service intends to offer IMRS-NPR for returns originating in Australia and Canada pursuant to amendments to bilateral agreements with the postal operators of these countries through the air parcel stream. *Id.* It states that it may negotiate additional bilateral agreements with other foreign postal operators to offer the same service for returns from other countries using either air parcels or EMS. *Id.* If the Postal Service executes such arrangements, it intends to provide notice to the Commission and furnish updated model contract, prices, and supporting financial information in this docket. *Id.*

Data collection. The Postal Service states that data would be reported at quarterly intervals following the conclusion of the term of each agreement. *Id.* at 8. Spreadsheets would include the costs, revenues, and volumes associated with each agreement. *Id.*

III. Contents of Filing

The notice includes the following attachments:

- Attachment 1—an application for non-public treatment of materials filed under seal;
- Attachment 2—Mail Classification Schedule language for IMRS-NPR;
- Attachment 3—a redacted copy of the IMRS Management Analysis; and
- Attachment 4—a redacted copy of the IMRS model customized global agreement.

Materials filed under seal include unredacted copies of the IMRS Management Analysis, IMRS model customized global agreement, and supporting financial workpapers. *Id.* at 1. The Postal Service filed redacted versions of the financial workpapers as public Excel files.

IV. Notice of Filing

The Commission establishes Docket No. MT2013-2 to consider matters raised by the Notice. It encourages interested persons to review the Notice for more details. Interested persons may submit comments on whether the Postal Service's filing in the captioned docket is consistent with the policies of 39 U.S.C. 3641. Comments are due no later than July 15, 2013. The filing can be accessed via the Commission's Web site (<http://www.prc.gov>).

The Commission appoints Alison J. W. MacDonald to serve as Public Representative in this docket.

V. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. MT2013-2 to consider matters raised by the Notice.
2. Pursuant to 39 U.S.C. 505, Alison J. W. MacDonald is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
3. Comments by interested persons are due no later than July 15, 2013.
4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Ruth Ann Abrams,

Acting Secretary.

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